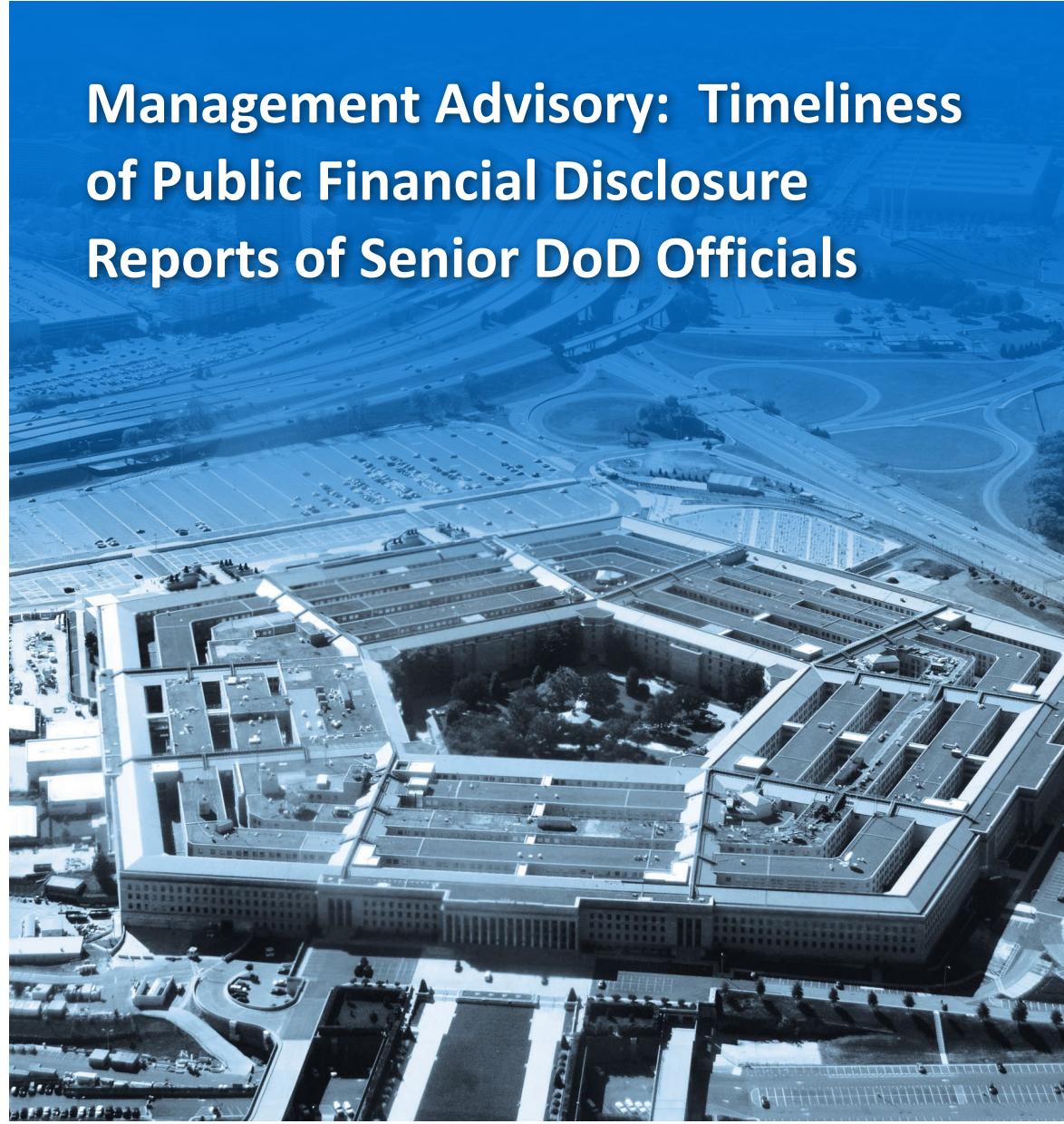




INSPECTOR GENERAL

U.S. Department of Defense

OCTOBER 10, 2024



Management Advisory: Timeliness of Public Financial Disclosure Reports of Senior DoD Officials

INDEPENDENCE ★ INTEGRITY ★ EXCELLENCE ★ TRANSPARENCY





OFFICE OF INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
4800 MARK CENTER DRIVE
ALEXANDRIA, VIRGINIA 22350-1500

October 10, 2024

MEMORANDUM FOR GENERAL COUNSEL OF THE DEPARTMENT OF DEFENSE
ASSISTANT SECRETARY OF DEFENSE FOR HEALTH AFFAIRS
DIRECTORS OF DEFENSE AGENCIES
DIRECTOR OF U.S. OFFICE OF GOVERNMENT ETHICS
AUDITOR GENERAL, DEPARTMENT OF THE ARMY
AUDITOR GENERAL, DEPARTMENT OF THE NAVY
AUDITOR GENERAL, DEPARTMENT OF THE AIR FORCE

SUBJECT: Management Advisory: Timeliness of Public Financial Disclosure Reports of Senior DoD Officials (Report No. DODIG-2025-003)

This final management advisory provides the results of the DoD Office of Inspector General's review of the timeliness of public financial disclosure reports of senior DoD officials filed from January 1, 2022, through July 31, 2023. We previously provided a copy of the discussion draft management advisory to the DoD Standards of Conduct Office and the 14 other Designated Agency Ethics Officials that we reviewed for management's review and comment. We considered management's comments on the discussion draft when preparing the final management advisory. We did not make any recommendations; therefore, no management comments are required to the final report. This is the first of two products that will be issued as part of the Audit of Senior DoD Officials Public Financial Disclosures that was announced on July 10, 2023. The objective of the audit is to determine whether public financial disclosure reports of senior DoD officials were submitted and reviewed in a timely manner, which is addressed in this management advisory. The second product, which is ongoing, will determine whether DoD ethics officials took appropriate action to identify and address potential conflicts of interest in public financial disclosure reports in accordance with applicable laws and policies. We prepared this management advisory in accordance with the Council of the Inspectors General for Integrity and Efficiency's Quality Standards for Federal Offices of Inspector General, which require that we conduct our work with integrity, objectivity, and independence.

If you have any questions or would like to meet to discuss the audit, please contact me at [REDACTED]. We appreciate the cooperation and assistance received during the audit.

FOR THE INSPECTOR GENERAL:

A handwritten signature in blue ink, reading "Richard B. Vasquez", is positioned below the text "FOR THE INSPECTOR GENERAL:". The signature is written in a cursive style.

Richard B. Vasquez
Assistant Inspector General for Audit
Readiness and Global Operations



Introduction

Results in Brief

Generally, senior DoD officials submitted, and DoD ethics officials reviewed, public financial disclosure reports in a timely manner for disclosure reports filed from January 1, 2022, through July 31, 2023.¹ Of the five types of public financial disclosure reports, we found that the annual, termination, and combination annual/termination reports were generally timely, with submission and review timeliness rates above 90 percent. However, we found that senior DoD officials did not consistently submit the new entrant and periodic transaction reports in as timely a manner. In addition, DoD ethics officials generally reviewed the new entrant and periodic transaction reports in a timely manner.

The May 2024 update to the Joint Ethics Regulation (JER) established new requirements that should mitigate the timeliness concerns for new entrant reports.² As discussed below, the updated JER expands the responsibilities that the directors of personnel offices have to support the ethics officials. The updated requirements in the JER should result in ethics officials being notified in a timely manner that a new entrant must file a new entrant report. In addition, ethics officials are proactively working with senior DoD officials to ensure that periodic transaction reports are submitted and reviewed in a timely manner by providing more training and guidance on when and what transactions must be reported. We will continue to monitor these developments and, therefore, do not make any recommendations in this management advisory.

Background

The timely submission and review of public financial disclosure reports helps DoD personnel identify and prevent potential conflicts of interest between their official duties and their personal financial interests. The financial disclosure program within the DoD is used to periodically review personal financial interests to ensure prompt and timely identification of potential and actual conflicts. According to the JER, the DoD requires all public financial disclosure reports to be completed electronically using the appropriate filing system.

¹ For the purposes of this report, we will use the term senior DoD officials to refer to all individuals required to file a public financial disclosure report.

² "Joint Ethics Regulation (JER)," May 15, 2024.

According to title 5 Code of Federal Regulations (CFR) part 2634, Senior Executive Branch employees must submit their personal financial interests publicly to ensure confidence in the integrity of the U.S. Government without compromising the public trust. Public financial disclosure reports are required for employees in the Executive Branch whose positions:

- are paid under a system other than the General Schedule (such as the Senior Executive Service); and
- have a rate of basic pay equal to or greater than 120 percent of the minimum rate of basic pay for GS-15s, members of the Uniformed Services whose pay grade is O-7 or above, and officers or employees in any other positions determined by the Director of the Office of Government Ethics to be of equal classification.

Public Financial Disclosure Reporting

Title 5 CFR part 2634 is a supplement of the Ethics in Government Act of 1978 and establishes uniform procedures and requirements for public financial disclosure reports. Title 5 CFR part 2634 implements policy for persons required to file a report to disclose their financial interests, the types of public financial disclosure reports, the process for review of the reports, and the required contents of the reports. The JER implements the Federal ethics statutes and regulations related to public financial disclosure reports for senior DoD officials. Table 1 identifies and describes the types of public financial disclosure reports and includes the filing due dates for each type.

Table 1. Public Financial Disclosure Report Types, Filing Description, and Time Frames

Disclosure Report Type	Description	Filing Due Date ¹
New Entrant	Personnel assuming a new public filing position, unless the individual is not expected to, and does not actually serve, more than 60 days in the public filing position or unless the individual served in a prior public filing position within the immediately preceding 30-day period without a break in Federal service. ²	Due within 30 days after appointment to a filing position.
Annual	Personnel who served in a public filing position for more than 60 days during the preceding calendar year.	Due May 15th of each year.
Periodic Transaction	Personnel who serve or are expected to serve more than 60 days in a public filing position must submit periodic transaction reports for any purchase, sale, or exchange of securities made by or for the filer, filer’s spouse, or dependent child, if the transaction value exceeds \$1,000.	Due within 30 days of receiving notification of a purchase, sale, or exchange of securities, but no later than 45 days after such transaction.
Termination	Personnel who terminate from a covered position, unless the individual served no more than 60 days in the filing position or unless the individual assumes Federal employment in another public filing position within 30 days.	Due no earlier than 15 days before the termination date, or no later than 30 days after filer’s termination date.

Table 1. Public Financial Disclosure Report Types, Filing Description, and Time Frames (cont'd)

Disclosure Report Type	Description	Filing Due Date ¹
Annual/Termination	Personnel who owe a Termination Report with a termination date that is within 90 days after the Annual report deadline may file a combined Annual/Termination report. The Annual/Termination report requires an extension of the Annual Report filing deadline for up to a maximum of 90 days.	Due no later than 90 days following the Annual report deadline for the calendar year in which it is due.

¹ If a due date falls on a weekend or Federal holiday, the report is due the next normal workday.

² According to a Department of the Air Force official, the Air Force requires all Air National Guard and Air Force Reserve general officers to file public financial disclosure reports regardless of the number of days they served on active duty during any reporting cycle.

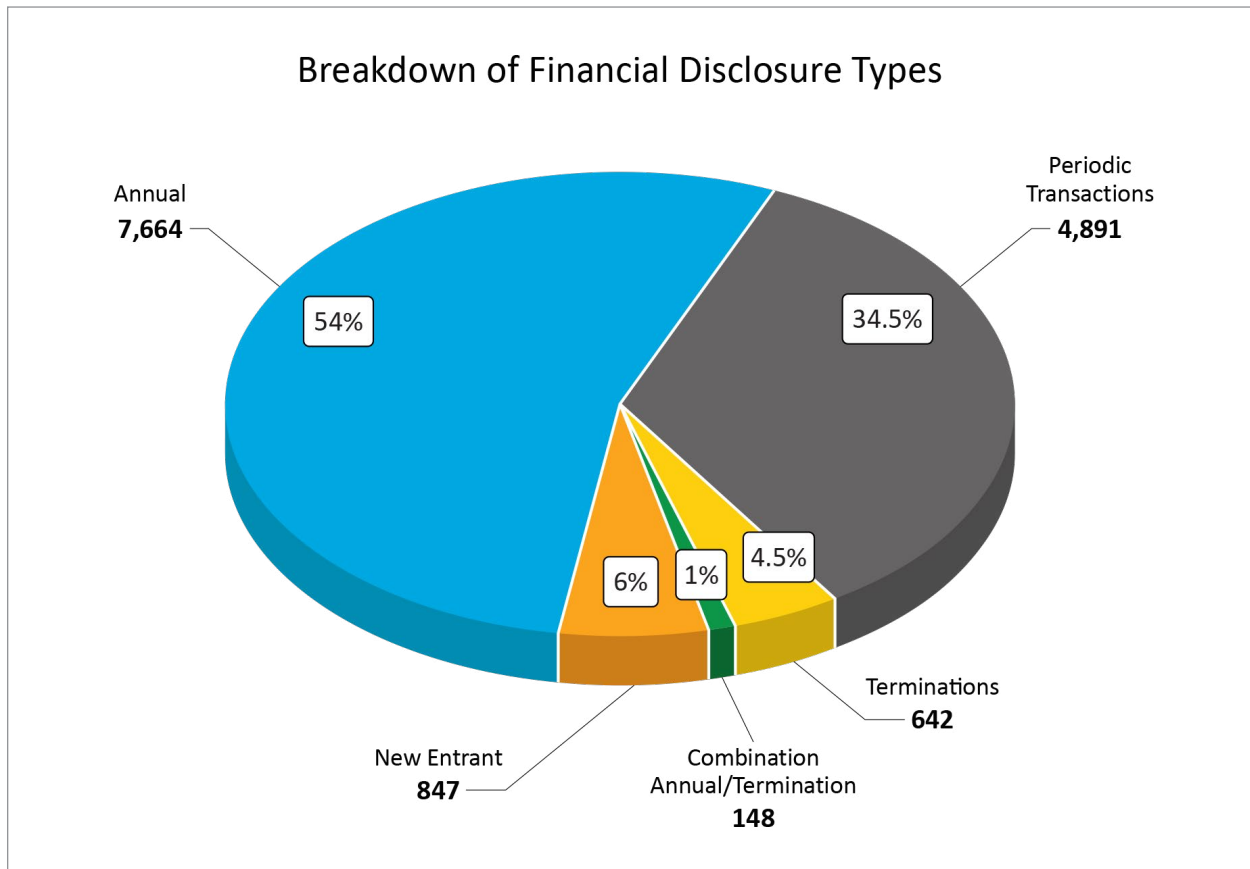
Source: The DoD OIG.

The percentage of each type of public financial disclosure report contained in our universe was determined by the filing requirements for the different types of reports. For example, reports that are required at the same time each year or reports that could be filed multiple times during the year were more prevalent than reports required at specific, infrequent events.

- Annual reports made up 7,664 (54 percent) of the 14,192 reports of all types in our review. According to 5 CFR part 2634, senior DoD officials are required to file the annual report every year; therefore, annual reports are the most common type.
- Periodic transaction reports were the second most common type of report, at 4,891 (34.5 percent) of the 14,192 reports. Some senior DoD officials may file multiple periodic transaction reports each year, depending on the number of reportable transactions, while other senior DoD officials may not file any.
- New entrant reports made up 847 (6 percent) of the 14,192 reports. New entrant reports are filed only when a senior DoD official first begins a position requiring reporting, and therefore represent a small part of the total number of reports.
- Termination reports accounted for 642 (4.5 percent) of the 14,192 reports. Like the new entrant report, the termination reports make up a small percentage of the total as they are filed only when a senior DoD filer leaves their position.
- Combination annual/termination reports were the least frequent, comprising only 148 (1 percent) of the 14,192 reports. These termination reports are limited to a small window of time coinciding with the annual filing requirement, and therefore are a smaller subset of the terminations.

Figure 1 shows the types of reports, the number of each type in our review, and the percentage of total reports we reviewed.

Figure 1. Types of Financial Disclosures We Reviewed



Source: The DoD OIG.

Both 5 CFR part 2634 and the JER require that all reports should be reviewed by the Designated Agency Ethics Official (DAEO), or an assigned ethics official, 60 days after the date of filing.³ The DoD has 17 DAEOs.⁴ DAEOs are responsible for implementing, administering, and supervising their agency’s ethics program. DAEOs provide legal advice and assistance to DoD employees regarding their financial interests to help the employees avoid any conflict of interest that they or their organizations have direct purview over. This assistance includes ensuring that employee public financial disclosure reports are properly collected and reviewed, periodically evaluating the local ethics programs, and implementing and administering ethics training.

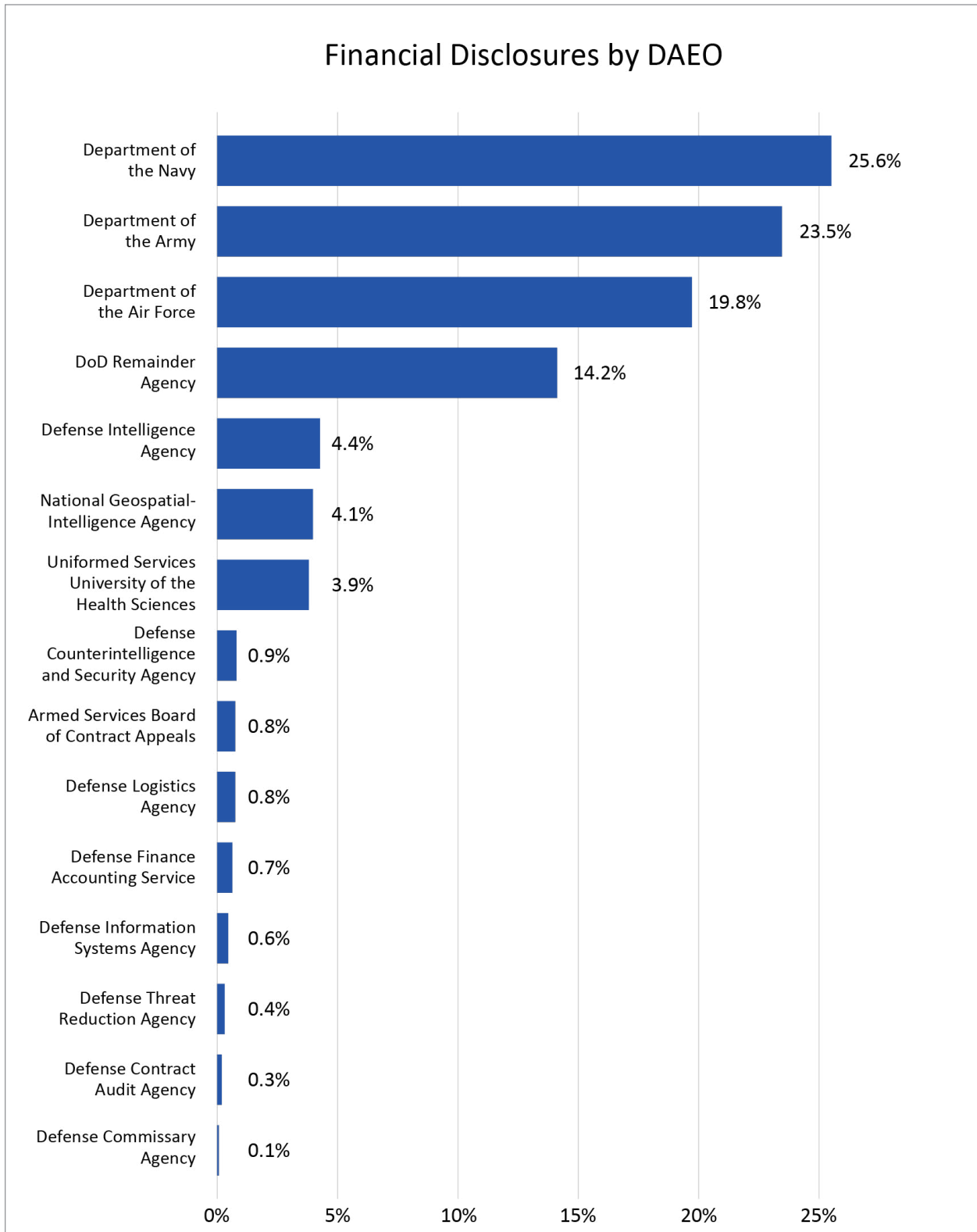
³ Federal law requires the ethics officials to review public financial disclosure reports within 60 days of the report’s file date. Certification may be delayed if additional information, amendment, or clarification is required.

⁴ We removed the DoD OIG and the National Security Agency (NSA) from the scope of our audit. As a result, we reviewed 15 DoD organizations. We removed the DoD OIG to avoid any independence issues, and we removed the NSA because it uses different systems and processes from the other DAEOs to submit and review financial disclosures. Recent OGE reports on the DoD OIG and NSA can be found at <https://www.oge.gov/web/OGE.nsf/Agency%20Ethics%20Documents%20Search%20Collection?OpenForm>.

The DoD General Counsel is the primary DAEO for the DoD and is the DAEO for the DoD Remainder Agency. The DoD Remainder Agency comprises the Office of the Secretary of Defense and all DoD Components and organizations that are not designated as separate DAEO agencies, to include the Joint Chiefs of Staff, combatant commands, and all non-DAEO Defense Agencies. The organizations for which the DoD General Counsel serves as the DAEO are commonly referred to as the “DoD Remainder Agency” and we refer to this group of filers as such in this report. The DoD Standards of Conduct Office (SOCO) manages the Office of the Secretary of Defense ethics program and provides ethics advice and counsel to Office of the Secretary of Defense personnel. To coordinate the DoD Component ethics programs, SOCO provides interpretive guidance and training materials, collects and publishes important written opinions from the DoD Components, and helps DoD Component DAEOs ensure that the DAEOs have taken effective corrective action to remedy violations.

Senior DoD officials at four DoD organizations, representing the Military Departments and the DoD Remainder Agency filed the majority of public financial disclosure reports in our review. The three Military Departments and the DoD Remainder Agency account for 83.1 percent of all DoD public financial disclosure reports filed, with the remaining DoD organizations accounting for the other 16.9 percent of reports filed. Figure 2 shows the breakdown of public financial disclosure reports among the 15 DAEOs included in our review and Table 2 in the appendix provides the number of the different types of reports by DAEOs.

Figure 2. Public Financial Disclosure Reports by DAEO



Source: The DoD OIG.

What We Reviewed

To complete this management advisory, we reviewed the filing of all 14,192 public financial disclosure reports that were submitted by senior DoD officials and reviewed by the 15 DAEOs from January 1, 2022, through July 31, 2023. For each public financial disclosure report, we compared that report to the submission and review time frame requirements for the specific type of disclosure. We also reviewed whether the DAEOs approved extensions for filing and whether the DAEOs charged fines for late filings. For the purposes of this audit, we considered a submission or review rate for a DAEO above 90 percent to be timely. While the 90-percent threshold is not outlined in law or policy, we established this threshold to focus the audit on those DAEOs that could improve the rate of timely disclosures.

DoD Public Financial Disclosures Generally Were Submitted and Reviewed in a Timely Manner

Generally, senior DoD officials submitted, and DoD ethics officials reviewed, public financial disclosure reports in a timely manner in accordance with filing dates established in Federal law for disclosures filed from January 1, 2022, through July 31, 2023. Overall, for the 14,192 reports we reviewed, senior DoD officials submitted public financial disclosure reports in a timely manner for 13,284 (93.6 percent) of the 14,192 reports, and DoD ethics officials reviewed the reports in a timely manner for 12,958 (91.3 percent) of 14,192 reports.⁵ Of the five types of reports, we found that the annual, termination, and combination annual/termination reports were generally timely, with submission and review timeliness rates above 90 percent. However, we found that senior DoD officials did not consistently submit the new entrant and periodic transaction reports in as timely a manner. Specifically, senior DoD officials submitted reports in a timely manner for only 658 (77.7 percent) of the 847 new entrant reports and 4,321 (88.3 percent) of the 4,891 periodic transaction reports. In addition, DoD ethics officials reviewed the new entrant and periodic transaction reports in a timely manner for 785 (92.7 percent) of the 847 new entrant reports and for 4,351 (89 percent) of the 4,891 periodic transaction reports. See Table 3 in the appendix for a summary of the submission and review timeliness for all the public financial disclosure report types reviewed.

⁵ To calculate the timely review of public financial disclosures, we compared the file date of the report to the initial review date of the disclosure. If a report did not have an initial review date in the reporting system, we used the certification date of the report to calculate timeliness. This may result in reports that did undergo an initial review in a timely manner being counted as untimely if the ethics official did not enter the initial review date in the reporting system.

Annual, Termination, and Combination Annual/Termination Reports Generally Were Submitted and Reviewed in a Timely Manner

Based on our review of 8,454 annual, termination, and combination annual/termination reports, the timeliness of public financial disclosure report submissions and reviews for the annual, termination, and combination annual/termination reports are as follows.

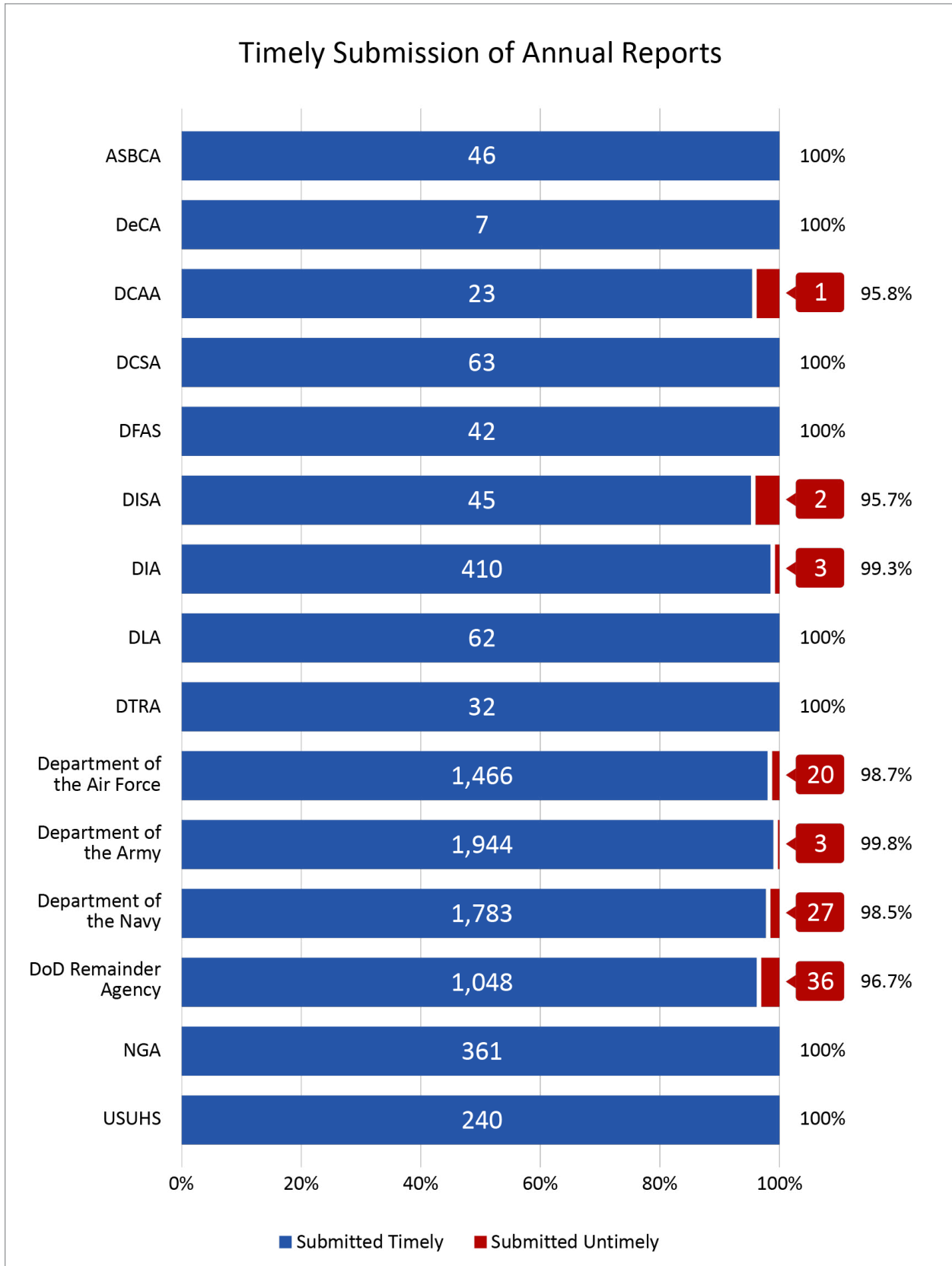
- Senior DoD officials submitted annual reports in a timely manner for 7,572 (98.8 percent) of the 7,664 reports filed, and ethics officials reviewed the annual reports in a timely manner for 7,075 (92.3 percent) of the annual reports.
- Senior DoD officials submitted termination reports in a timely manner for 590 (91.9 percent) of the 642 reports filed, and ethics officials reviewed the termination reports in a timely manner for 611 (95.2 percent) of the termination reports; and
- Senior DoD officials submitted combination annual/termination reports in a timely manner for 143 (96.6 percent) of the 148 reports filed, and ethics officials reviewed the annual/termination reports in a timely manner for 136 (91.9 percent) of the combination annual/termination reports.

Annual Report Timeliness

Overall, senior DoD officials submitted 7,572 (98.8 percent) of the 7,664 annual reports in a timely manner. In addition, overall, ethics officials reviewed annual reports in a timely manner for 7,075 (92.3 percent) of the 7,664 annual reports filed. See Table 5 in the appendix for specific numbers and percentages for each agency.

We found that senior DoD officials submitted annual reports in a timely manner for all the 15 DoD organizations we reviewed. Figure 3 provides a summary of the submissions of annual reports at the DoD organizations we reviewed.

Figure 3. Timeliness of Submission of Annual Reports

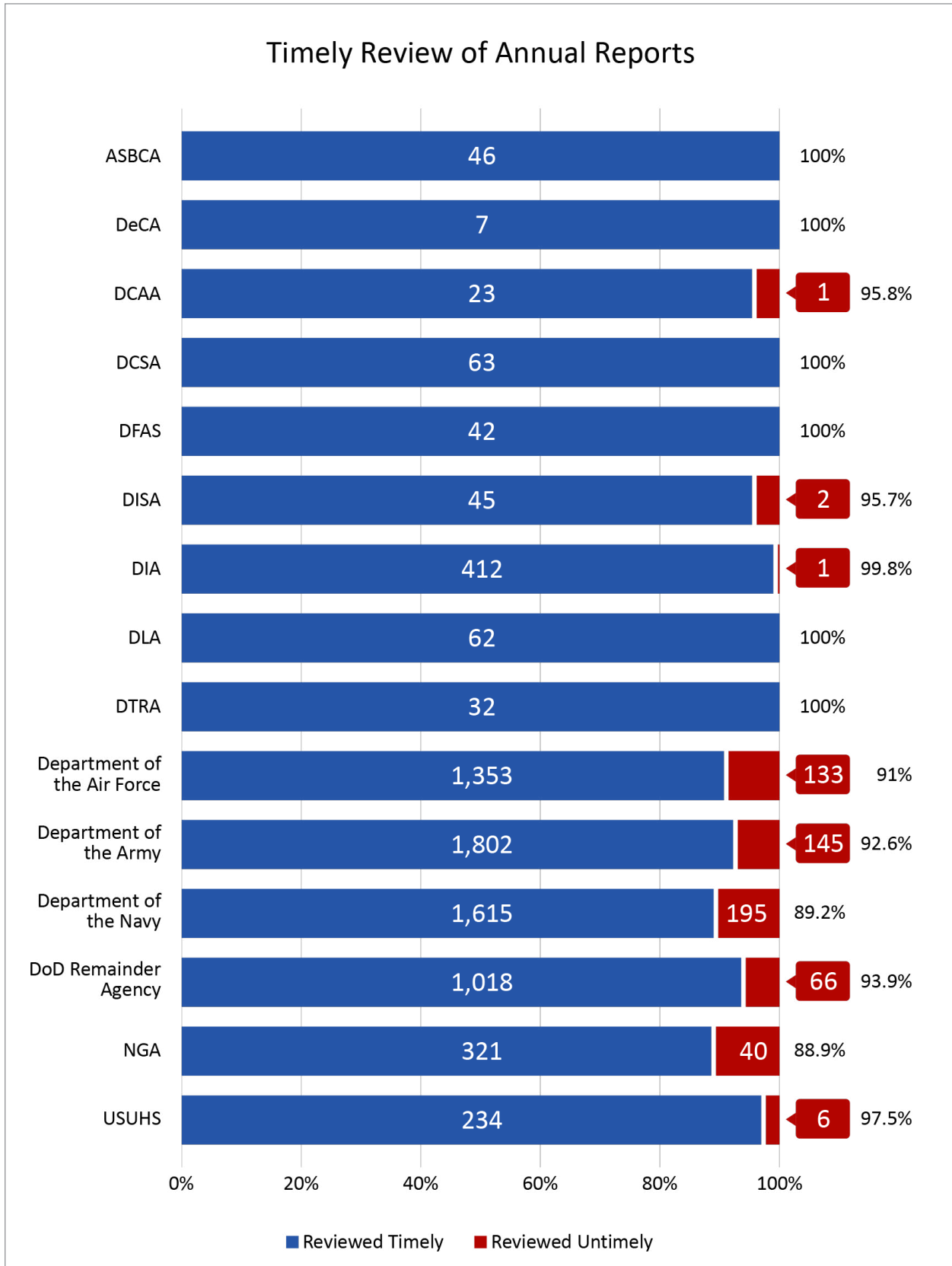


Source: The DoD OIG.

For all 15 DoD organizations we reviewed, senior DoD officials submitted their annual reports in a timely manner, with 8 of the 15 organizations achieving a timeliness rate of 100 percent. For the other seven DoD organizations we reviewed, senior DoD officials submitted their reports in a timely manner at least 95.7 percent of the time.

Ethics officials reviewed the annual reports in a timely manner at 13 of the 15 DoD organizations we reviewed. Figure 4 provides a summary of the review of annual reports at the DoD organizations we reviewed.

Figure 4. Timeliness of Review of Annual Reports



Source: The DoD OIG.

The ethics officials at the National Geospatial-Intelligence Agency (NGA) stated that a vacancy in the ethics officer position from January to April 2022 and the absence of another ethics official due to injury delayed their reviews in 2022. At the NGA, ethics officials reviewed annual reports in a timely manner for 150 (79.4 percent) of the 189 annual reports filed in 2022, which improved to 171 (99.4 percent) of the 172 annual reports filed in 2023. For the Department of the Navy, the ethics officials stated that the delayed reviews were due to resource constraints, travel schedules, and ethics officials' lack of experience with the review process.

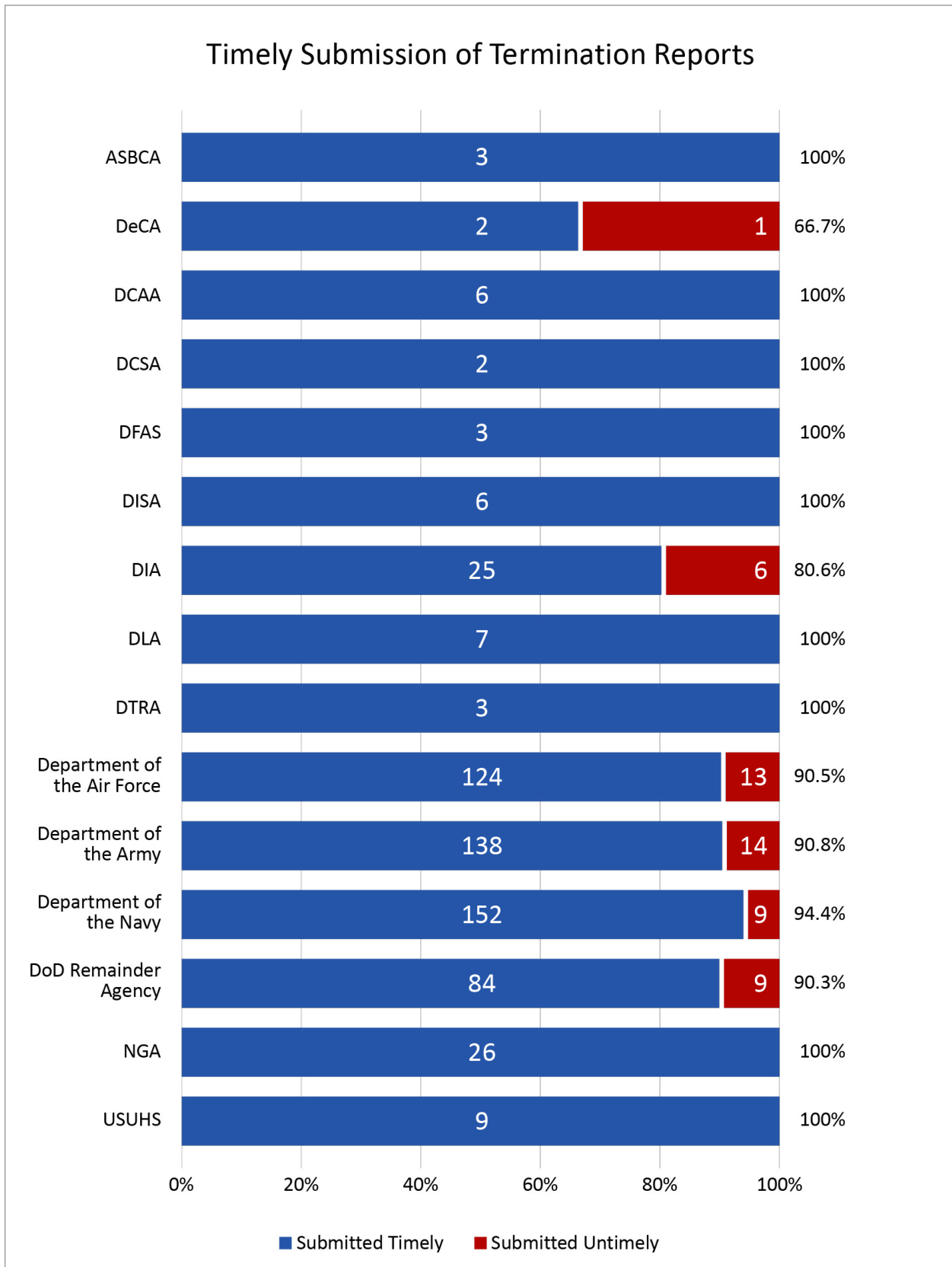
We attribute the high timeliness rates for submission and review of the annual reports to the routine schedule for this type of report. According to 5 CFR part 2634, every senior official is required to file the annual report, and the report is due at the same time each year. Because of this definite and well-known requirement and schedule, there is little confusion about who is required to file or when the report is due.

Termination Report Timeliness

Overall, senior DoD officials submitted 590 (91.9 percent) of the 642 termination reports in a timely manner. In addition, overall, ethics officials reviewed termination reports in a timely manner for 611 (95.2 percent) of the 642 termination reports filed. See Table 7 in the appendix for specific numbers and percentages for each agency.

For the 15 DoD organizations we reviewed, we found that senior DoD officials at 13 DoD organizations submitted termination reports in a timely manner more than 90 percent of the time. Figure 5 provides a summary of the submissions of termination reports at the DoD organizations we reviewed.

Figure 5. Timeliness of Submission of Termination Reports

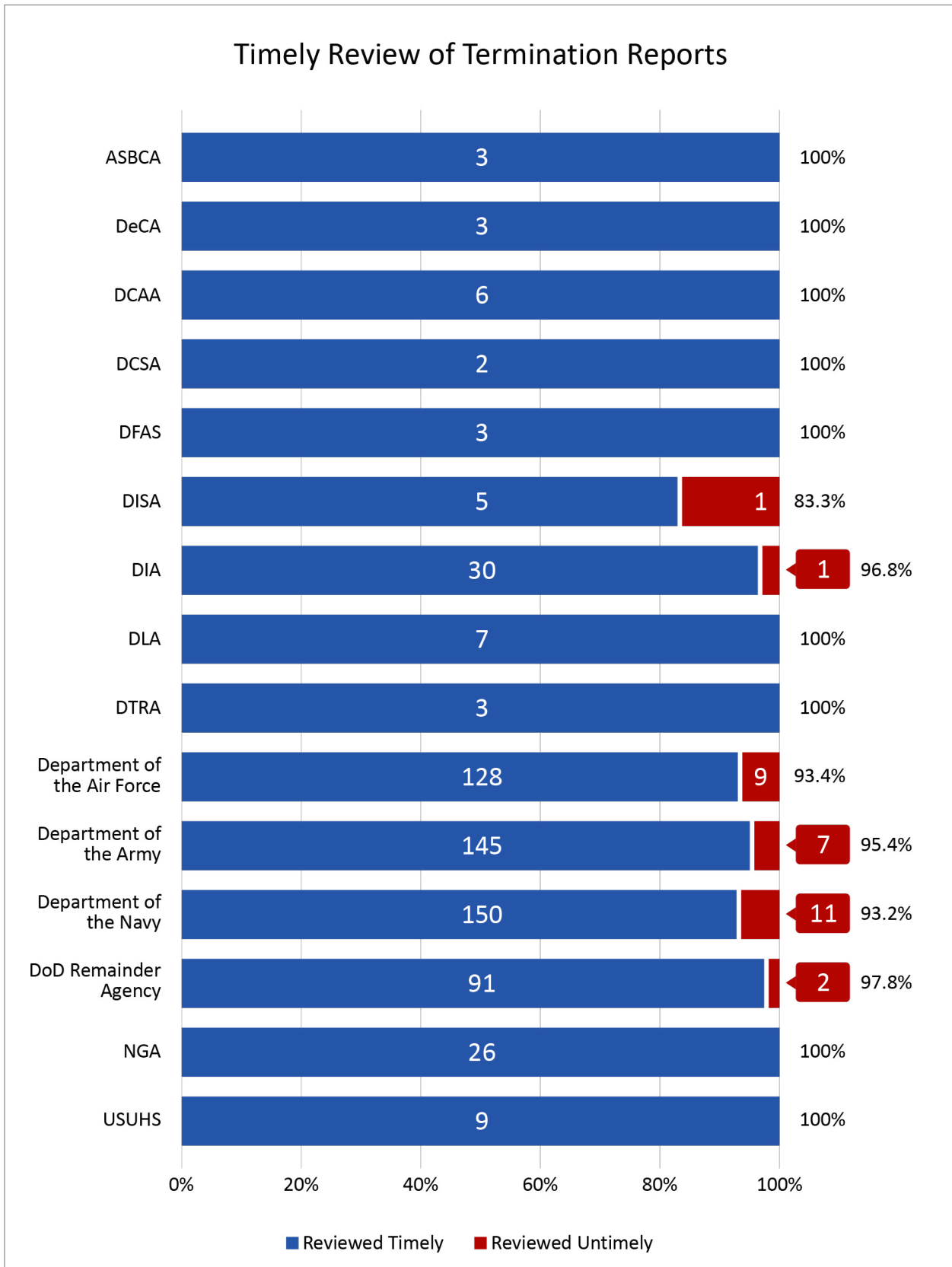


Source: The DoD OIG.

At one of the two DoD organizations that fell below the 90 percent threshold for timely filings, we found that the percentage at this organization was lower because of the low number of termination reports filed. For example, the Defense Commissary Agency reported a total of three termination reports, and a single untimely report filing dropped the percentage drastically so that the timely submission rate was 66.7 percent. For the Defense Intelligence Agency (DIA), the remaining DoD organization that fell below the 90 percent threshold, senior DoD officials submitted termination reports in a timely manner for 25 (80.6 percent) of the 31 termination reports filed at the agency. According to the ethics officials at the DIA, three of the six late report submissions were due to confusion over termination dates and future positions for the filers. For example, the ethics officials at DIA stated that they were not provided information on one filer, and there was uncertainty regarding the filer's actual termination date. In another case, DIA ethics officials stated that the filer assumed that their new position was at another Federal agency, and this would not require them to file a public financial disclosure report. However, the ethics officials later found out that the position was with a state agency, and the filer should have submitted a termination report. The DIA ethics officials contacted the filer, and the filer submitted a termination report after the filer left the agency.

For 14 of the 15 DoD organizations we reviewed, the ethics officials reviewed the termination reports in a timely manner more than 90 percent of the time. Figure 6 provides a summary of the review of termination reports at the DoD organizations we reviewed.

Figure 6. Timeliness of Review of Termination Reports



Source: The DoD OIG.

Ethics officials at the Defense Information Systems Agency (DISA) reviewed the termination reports in a timely manner for five (83.3 percent) of the six termination reports filed, and the single delayed review dropped the percentage below 90 percent. The ethics official at DISA stated that for this review, the report was routed to an incorrect reviewer, and this delayed the review.

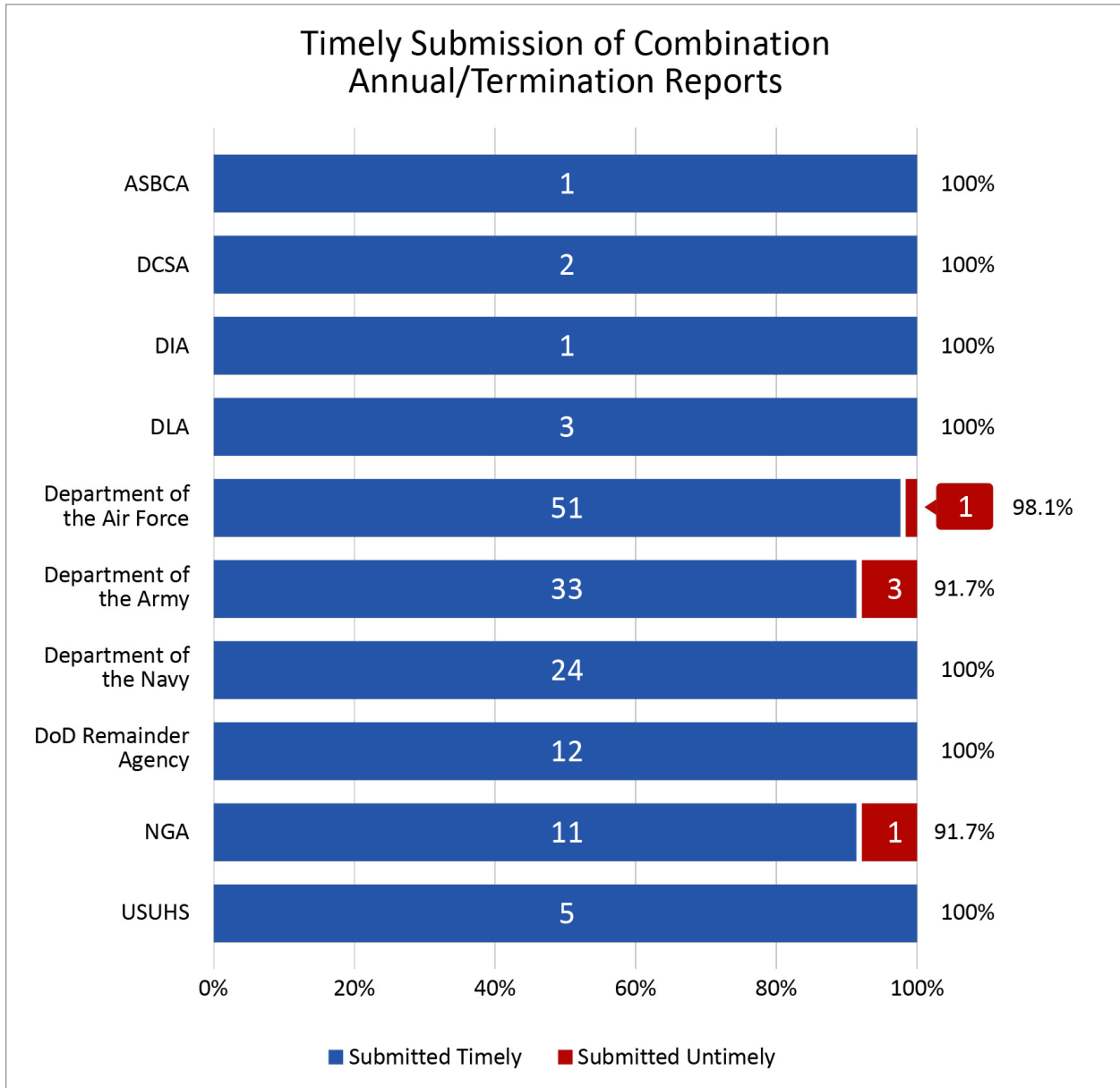
The update to the JER in May 2024 includes a requirement that the personnel offices provide the ethics officials a monthly report of all incoming and outgoing personnel. This update also requires the personnel offices to identify which personnel are subject to the public financial disclosure reporting requirement. These changes in the JER will help the DAEOs better identify the individuals who should file a termination report, and the update should increase the rate of timely submissions; therefore, we are not making a recommendation related to timely filing and review of public financial disclosure reports. According to SOCO personnel, as of July 2024, DoD organizations continue to implement the updates from the May 2024 JER. Therefore, we did not evaluate the effectiveness of DoD organizations' implementation of the May 2024 JER updates.

Combination Annual/Termination Report Timeliness

Overall, senior DoD officials submitted 143 (96.6 percent) of the 148 combination annual/termination reports in a timely manner. In addition, overall, ethics officials reviewed annual/termination reports in a timely manner for 136 (91.9 percent) of the 148 combination annual/termination reports. See Table 8 in the appendix for specific numbers and percentages for each agency.

Senior DoD officials submitted the 148 combination annual/termination reports in a timely manner more than 90 percent of the time at all 10 organizations that reported this type of report, with 7 of the 10 organizations achieving a 100-percent timeliness rate. The remaining five DoD organizations we reviewed had no senior DoD officials submit combination annual/termination reports. Figure 7 provides a summary of the submissions of combination annual/termination reports at the DoD organizations we reviewed.

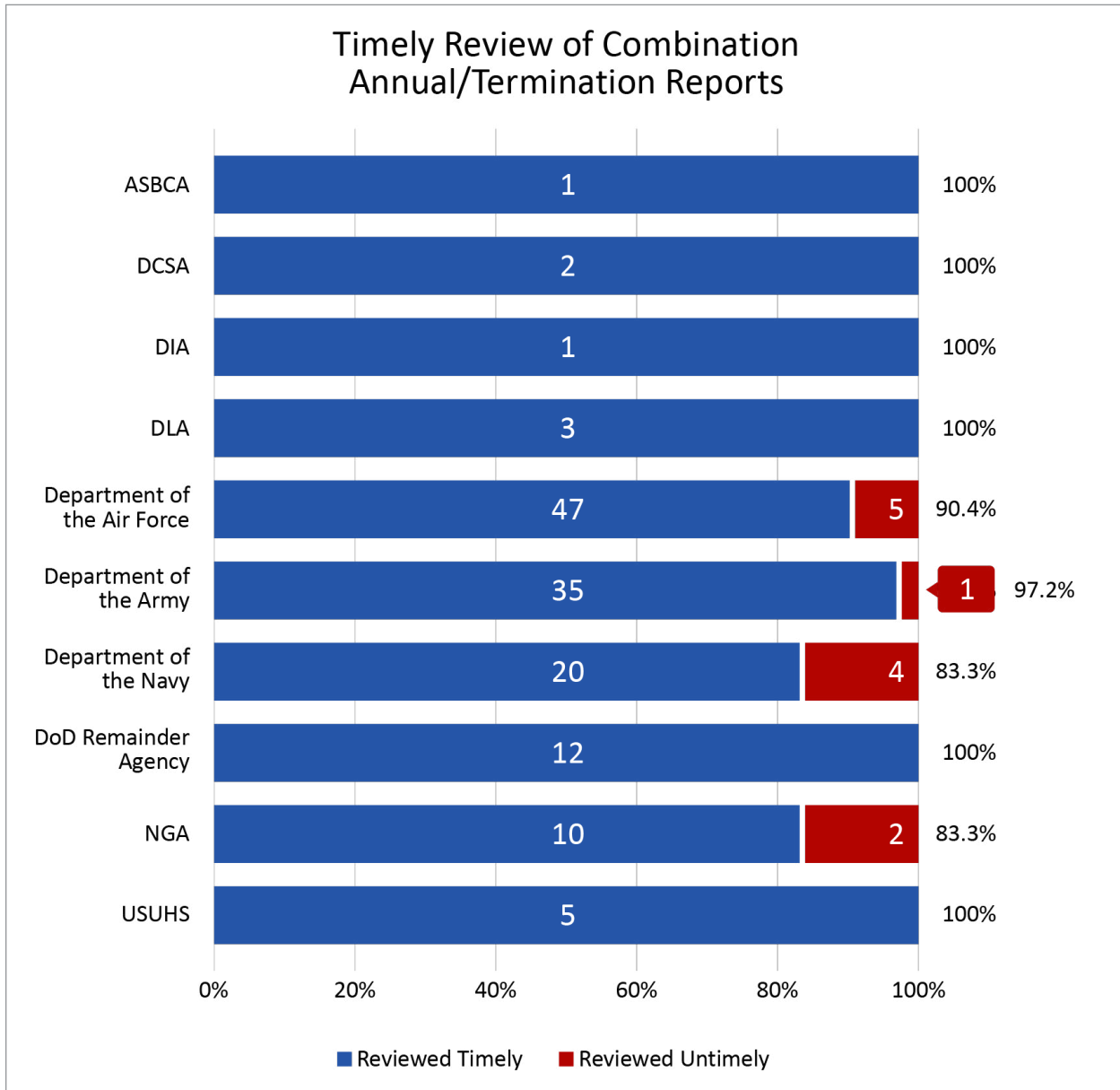
Figure 7. Timeliness of Submission of Combination Annual/Termination Reports



Source: The DoD OIG.

Furthermore, ethics officials reviewed the reports in a timely manner at 8 of the 10 DoD agencies that had combination annual/termination reports more than 90 percent of the time. Figure 8 provides a summary of the review of combination annual/termination reports at the DoD organizations we reviewed.

Figure 8. Timeliness of Review of Combination Annual/Termination Reports



Source: The DoD OIG.

The remaining two agencies had a lower timeliness percentage for reviewing combination annual/termination reports because of the small number of reports, and a few late reviews drove the overall percentage lower. For example, at the NGA, ethics officials received a total of 12 combination annual/termination reports and reviewed 2 reports late. As a result, the timeliness percentage fell to 83.3 percent. The NGA ethics official stated that the complexity of the reports and an early 2022 vacancy in the reviewer position delayed the reviews. In addition, the Department of the Navy ethics officials stated that there were delays in

reviewing combination annual/terminations reports because there was turnover in staff that perform the reviews, and additional time was needed to review the reports to ensure that the combination reports were filed correctly.

We attribute the high timeliness rates for submission of combination annual/termination reports primarily to the limited time frames in which this type of report can be filed. Senior officials can file a combination annual/termination report only if their termination date coincides with the annual report filing requirement, and the filers are generally aware of the requirement to submit the annual report. The set schedule and requirement to file a report likely led to an increased percentage of combination annual/termination report being filed in a timely manner.

Percentage of Timely Submission and Review of New Entrant and Periodic Transaction Reports Was Lower Than Other Reports

Based on our review of 5,738 new entrant and periodic transaction reports, the percentage of timely submissions was lower than the other types of reports.

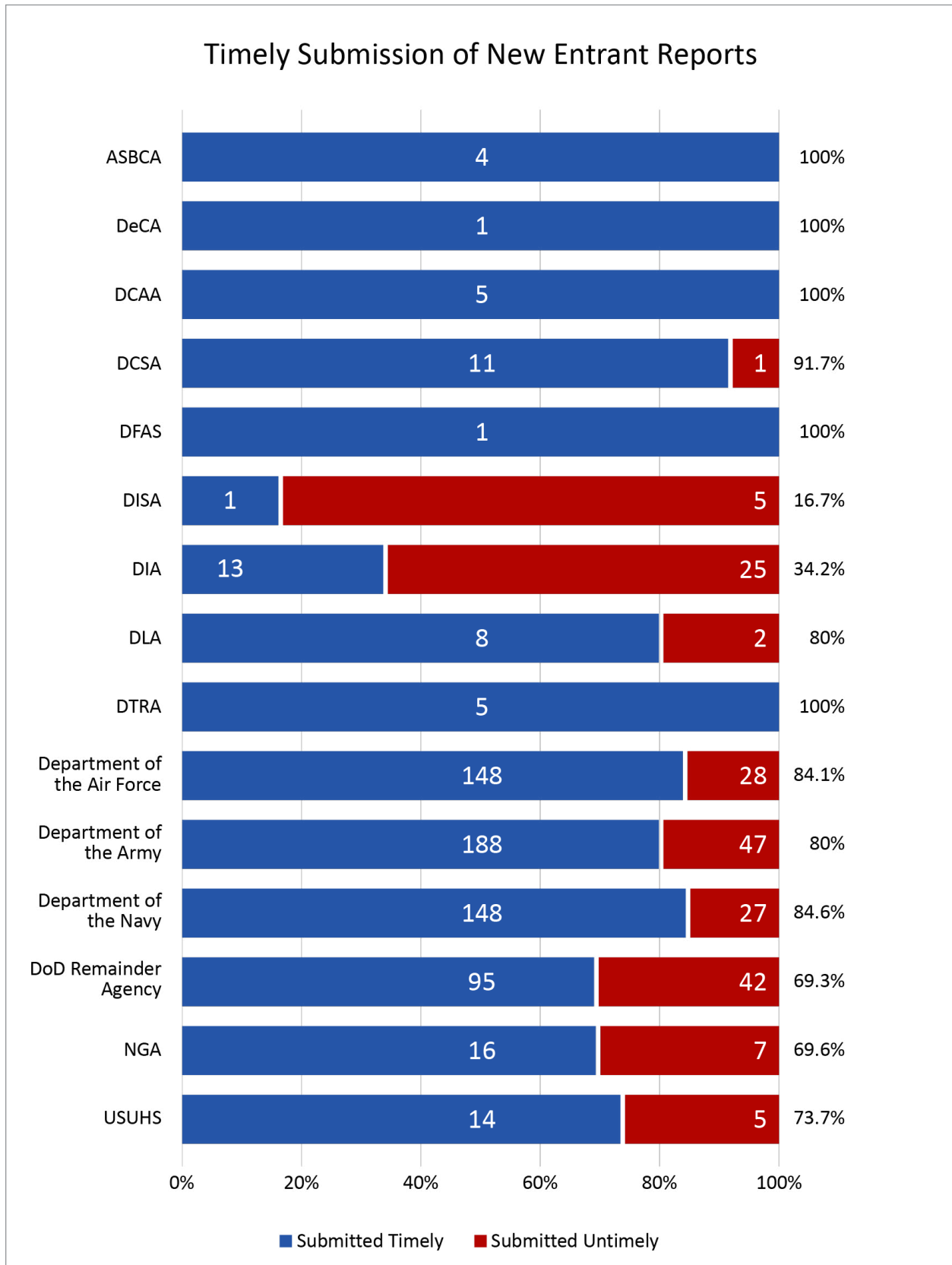
- Senior DoD officials submitted new entrant reports in a timely manner for 658 (77.7 percent) of the 847 reports filed, and ethics officials reviewed the new entrant reports in a timely manner for 785 (92.7 percent) of the reports.
- Senior DoD officials submitted periodic transaction reports in a timely manner for 4,321 (88.3 percent) of the 4,891 reports filed, and ethics officials reviewed the periodic transaction report in a timely manner for 4,351 (89 percent) of the reports.

New Entrant Report Timeliness

Of the five types of reports, the new entrant report had the lowest rate of timely submission, with 658 (77.7 percent) of the 847 reports filed in a timely manner. However, ethics officials reviewed new entrant reports in a timely manner for 785 (92.7 percent) of the 847 reports. See Table 4 in the appendix for specific numbers and percentages for each agency.

At 6 of the 15 DoD organizations we reviewed, senior DoD officials submitted new entrant reports in a timely manner more than 90 percent of the time. Figure 9 provides a summary of the submission of new entrant submissions at the DoD organizations we reviewed.

Figure 9. Timeliness of Submission of New Entrant Reports

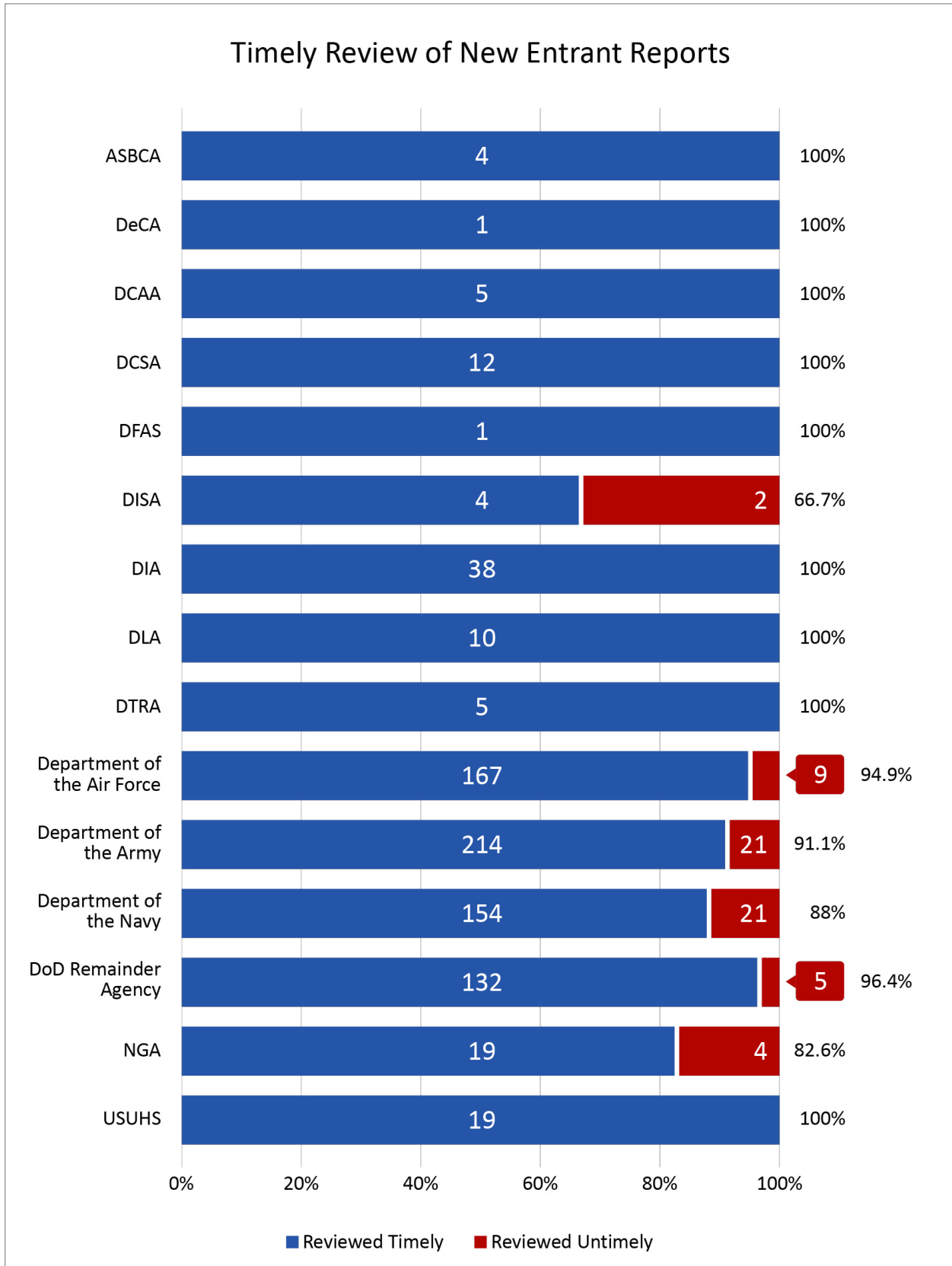


Source: The DoD OIG.

At the remaining nine DoD organizations we reviewed, senior DoD officials submitted new entrant reports in a timely manner between 16.7 and 84.6 percent of the time. According to the ethics officials at five of the agencies with low timeliness submission rates, this occurred because of a lack of communication between the human resources offices and the ethics officials when new filers came to the agency or when employees were promoted to public filing positions. For example, ethics officials at DISA stated that new entrants were late in submitting their new entrant reports because the personnel office did not notify the agency ethics officials when new senior officials were hired. Likewise, ethics officials at the DIA stated that they were not routinely receiving notification of the appointments of senior DoD officials that would need to file public financial disclosure reports. DIA ethics officials stated that they were working to improve their internal agency processes to ensure ethics officials are aware when new entrants who are required to file public financial disclosures start at the agency. In addition, ethics officials at the three Military Departments stated that some of the late submissions for new entrants were due to confusion when temporary positions or reservists called to active duty passed a time-in-position threshold to file a new entrant report. Specifically, reservists and national guard filers are only required to file a report if they exceed 60 days of duty in a calendar year. These 60 days are cumulative, and the report is required to be filed 15 days after the 60th day of duty. For example, one Department of the Army official who serves in a position that does not normally need to file a report was called up to active duty for more than 60 days to a position that requires filing a report. This official was not aware of the requirement to file, and filed once the ethics officials identified the requirement, which did not occur until after expiration of the filing timeline.

Ethics officials reviewed the new entrant reports in a timely manner at 12 of the 15 DoD organizations we reviewed more than 90 percent of the time. Figure 10 provides a summary of new entrant submissions at the DoD organizations we reviewed.

Figure 10. Timeliness of Reviews of New Entrant Reports



Source: The DoD OIG.

The remaining three agencies had timely review rates of 4 (66.7 percent) of 6 reports at DISA, 154 (88 percent) of the 175 reports at the Department of the Navy, and 19 (82.6 percent) of the 23 reports at the NGA. Time frames for reviews of the reports are based on the submission date for the report; therefore, even if a report is filed late, the review can still be performed in a timely manner. At DISA, the primary cause for the low timely review rate was the small number of new entrant reports in the review period, which resulted in the two delayed reviews causing the overall percent reviewed in a timely manner to drop to 66.7 percent. At the NGA, the ethics official stated that a vacancy in one ethics official position and competing work demands delayed the reviews of the new entrant reports. The Department of the Navy ethics officials stated that operational requirements, personnel turnover, and new ethics officials' lack of experience with the public financial disclosure report review system were common causes for the delayed reviews.

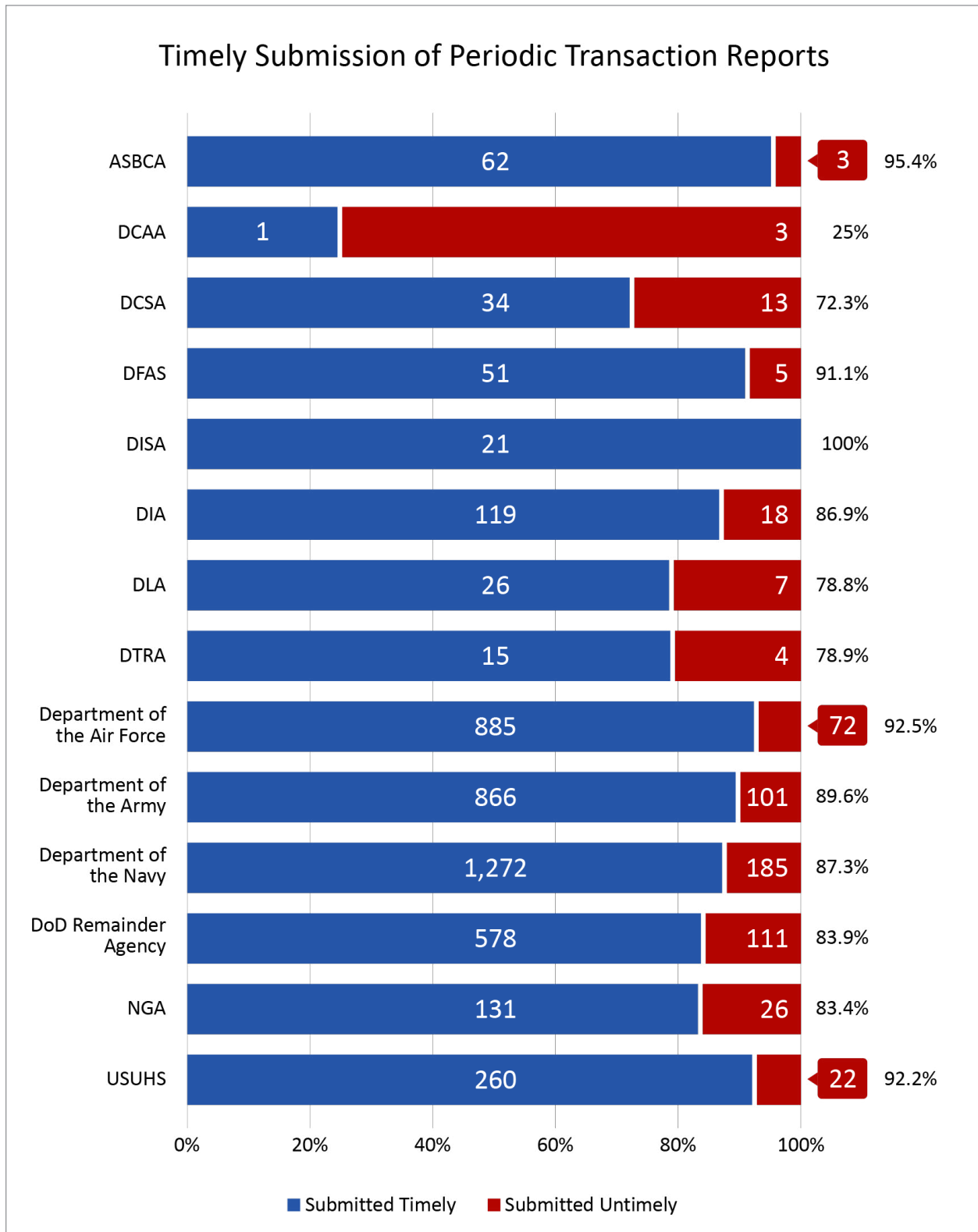
Since the first issuance of the JER in August 1993, and the last update in 2011, SOCO and DoD organizations have identified areas for improvement in the ethics program that have been addressed in the May 2024 update to the JER. For example, the May 2024 update to the JER expands the responsibilities that the directors of personnel offices have to support the ethics officials. The updated JER states that the directors of personnel offices must submit updated lists of all incoming and outgoing personnel to ethics officials at least monthly, or more frequently if requested by the ethics officials. The updated JER also expands the information that the personnel offices have to report to include the appointment type, supervisor's name, and whether the position description identified a requirement to file public financial disclosure reports. The updated requirements in the JER should result in ethics officials being notified in a timely manner that a new entrant must file a new entrant financial report; therefore, we are not making a recommendation in this area.

Periodic Transaction Report Timeliness

Overall, senior DoD officials submitted periodic transaction reports in a timely manner for 4,321 (88.3 percent) of the 4,891 reports filed. In addition, overall, ethics officials reviewed periodic transaction reports in a timely manner for 4,351 (89 percent) of the 4,891 reports filed. During our audit, we reviewed all certified periodic transaction reports for timeliness. Some of the periodic transaction reports listed as untimely for both submission and review may contain financial interests that were not required to be reported, and therefore the reports were not required to be filed. The JER, dated May 15, 2024, changed the policy regarding non-reportable transactions, and under the updated policy, non-reportable transactions must not be reported and the reports must not be certified. Therefore, we may have included in our results untimely periodic transaction reports that would not be filed or certified under the updated guidance. See Table 6 in the appendix for specific numbers and percentages for each agency.

For the 14 DoD organizations that had periodic transaction reports submitted, senior DoD officials at 5 DoD organizations had a percentage of timely submissions for periodic transactions above 90 percent. Figure 11 provides a summary of the submissions of periodic transaction reports at the DoD organizations we reviewed.

Figure 11. Timeliness of Submission of Periodic Transaction Reports

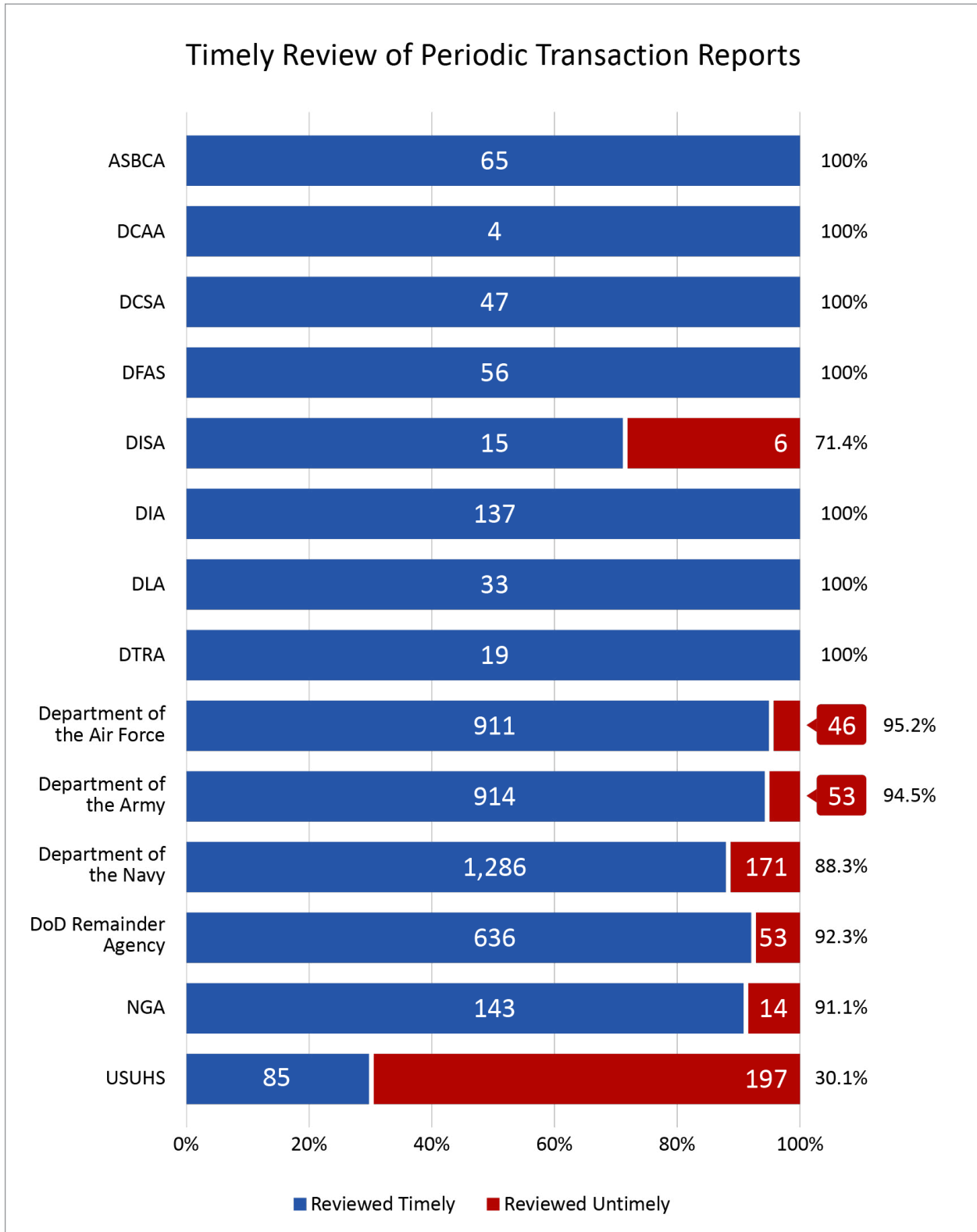


Source: The DoD OIG.

For the other nine DoD organizations, the percentage of timely periodic transaction reports ranged from 25 to 89.6 percent. According to ethics officials at seven of the nine of the agencies that fell below the 90-percent threshold, one of the reasons for the delays in the submission of the periodic transaction reports was that the senior DoD official was unaware of the financial transactions that were being made on their behalf. According to 5 CFR part 2634, a senior DoD official must submit a periodic transaction report to report any purchase, sale, or exchange of securities in excess of \$1,000 made by or for the filer, filer's spouse, or dependent child. However, according to ethics officials at the seven of the nine agencies that fell below the 90-percent threshold, some senior DoD officials were not submitting periodic transaction reports because their financial managers, or the person making a financial transaction on their behalf, were not informing them of the transactions. For example, one filer at the Defense Logistics Agency (DLA) stated that they submitted the periodic transaction report late because their spouse made stock transactions without informing them. When the filer became aware of the transaction, they filed the periodic transaction report after the required deadline. Ethics officials at the DLA, Department of the Army, and SOCO stated that another reason for delays in the submission of the periodic transaction reports was that senior DoD officials did not clearly understand the requirements for which transactions needed to be reported. For example, a DLA filer made transactions in an investment fund that the filer's broker stated was exempt from the reporting requirements. During a review of the filer's annual report, the ethics official determined that the assets being traded were reportable, and the filer then submitted a periodic transaction report and divested from that fund. Department of the Army ethics officials provided another example in which a filer did not file a periodic transaction report for trades in cryptocurrency because the filer did not believe the trades needed to be reported.

In addition, ethics officials reviewed the periodic transaction reports in a timely manner more than 90 percent of the time at 11 of the 14 DoD organizations that we reviewed. Figure 12 provides a summary of the review of periodic transaction reports at the DoD organizations we reviewed.

Figure 12. Timeliness of Review of Periodic Transaction Reports



Source: The DoD OIG.

The ethics official at the Uniformed Services University of the Health Sciences stated that the late reviews occurred primarily because filers had to make substantial changes to the reports, and ethics officials had to wait for remedial action, such as determination of whether a penalty waiver should be granted or a fine imposed, to occur before they could certify reports.⁶ The ethics official also stated that many filers were not available during the summer because of the university's schedule, and their lack of availability further delayed the reviews when the ethics officials had questions on the reports that needed to be resolved prior to certifying the report. The ethics official at DISA stated that higher priority work and reports being routed to the wrong reviewer delayed their review of the periodic transaction reports. Finally, the Department of the Navy ethics officials stated that staff shortages and competing workloads were the primary reasons for the delayed reviews.

We found that the ethics officials are proactively working with senior DoD officials to ensure that periodic transaction reports are submitted and reviewed in a timely manner by providing more training and guidance on when and what transactions need to be reported. We determined that ethics officials at the Department of the Army and Department of the Navy used the annual public financial disclosure reports to identify potential periodic transactions that were not reported and provided guidance to the filers regarding their responsibilities to file the periodic transaction reports. In addition, we generally found that ethics officials properly applied the guidelines regarding penalty waivers and fines to influence filers to meet the filing requirements. For example, a Department of the Army ethics official identified a filer who should have submitted multiple periodic transactions during a complex employment situation. The ethics official used both the penalty waiver authority and the fines to reinforce the requirements and expectations for future compliance with the law to the filer. In this instance, the ethics official waived the fine for the first instance of a late submission of the report. When the individual was late with a subsequent report, the ethics official implemented the fine.

We will be reporting on conflicts of interest in periodic transactions in a separate report. We will be reporting on the prevalence of financial interests in the top 100 DoD contractors and what actions the ethics officials took in these cases. We will continue to examine the efforts made to improve the timeliness of the submission and review of the periodic transaction reports and, if necessary, we will make recommendations to improve the process in that subsequent report.

Timely Reports Help Prevent Potential Conflicts of Interest

Senior DoD officials' timely submission and DAEO reviews of public financial disclosure reports is vital to ensuring the DoD's compliance with Federal ethics requirements. Timely and accurate public financial disclosure reports are critical for ethics officials to review,

⁶ Title 5 CFR part sec. 2634.704 states that any filer who submits a disclosure more than 30 days late should pay a late filing fine unless the ethics official grants a waiver.

identify, and proactively address potential conflicts of interest and provide a means for the ethics officials to offer guidance on how to handle financial interests outside of the DoD and for filers to take appropriate actions to reduce the risk of actual conflicts of interest. Submitting and reviewing public financial disclosure reports in a timely manner demonstrates senior DoD officials' strong commitment to transparency and ethical behavior.

Appendix

The following tables provide a more detailed representation of the results of timely submissions and reviews by type of public financial disclosure report. Table 2 shows the total number of public financial disclosure reports that were filed by senior DoD officials in 2022 and from January 1, 2023, through July 31, 2023, by the 15 DoD organizations we reviewed. Table 3 shows the total of public financial disclosure report types with the percent of timely submissions and reviews. Tables 4 through 8 represent the totals and percent of timely submissions and reviews by DAEO for each type of public financial disclosure report.

Table 2. Total Number of Senior DoD Officials Financial Reports

Organization	New Entrant	Annual	Periodic Transactions	Termination	Combination	Total
Armed Services Board of Contract Appeals	4	46	65	3	1	119
Defense Commissary Agency	1	7	0	3	0	11
Defense Contract Audit Agency	5	24	4	6	0	39
Defense Counterintelligence and Security Agency	12	63	47	2	2	126
Defense Finance Accounting Service	1	42	56	3	0	102
Defense Information Systems Agency	6	47	21	6	0	80
Defense Intelligence Agency	38	413	137	31	1	620
Defense Logistics Agency	10	62	33	7	3	115
Defense Threat Reduction Agency	5	32	19	3	0	59
Department of the Air Force	176	1,486	957	137	52	2,808
Department of the Army	235	1,947	967	152	36	3,337
Department of the Navy	175	1,810	1,457	161	24	3,627
DoD Remainder Agency	137	1,084	689	93	12	2,015
National Geospatial-Intelligence Agency	23	361	157	26	12	579

Table 2. Total Number of Senior DoD Officials Financial Reports (cont'd)

Organization	New Entrant	Annual	Periodic Transactions	Termination	Combination	Total
Uniformed Services University of the Health Sciences	19	240	282	9	5	555
Total	847	7,664	4,891	642	148	14,192

Source: The DoD OIG.

Table 3. Summary of Submission and Review Timeliness Percentages

Report Type	Total Reports	Timely Submissions	Percent of Timely Submissions	Timely Reviews	Percent of Timely Reviews
New Entrant	847	658	77.7	785	92.7
Annual	7,664	7,572	98.8	7,075	92.3
Periodic Transaction	4,891	4,321	88.3	4,351	89
Termination	642	590	91.9	611	95.2
Combination Annual/Termination	148	143	96.6	136	91.9
Total	14,192	13,284	93.6	12,958	91.3

Source: The DoD OIG.

Table 4. New Entrant Reports Submission and Review Timeliness

Organization	Total Reports	Timely Submissions	Percent of Timely Submissions	Timely Reviews	Percent of Timely Reviews
Armed Services Board of Contract Appeals	4	4	100	4	100
Defense Commissary Agency	1	1	100	1	100
Defense Contract Audit Agency	5	5	100	5	100
Defense Counterintelligence and Security Agency	12	11	91.7	12	100
Defense Finance Accounting Service	1	1	100	1	100
Defense Information Systems Agency	6	1	16.7	4	66.7
Defense Intelligence Agency	38	13	34.2	38	100
Defense Logistics Agency	10	8	80	10	100
Defense Threat Reduction Agency	5	5	100	5	100

Table 4. New Entrant Reports Submission and Review Timeliness (cont'd)

Organization	Total Reports	Timely Submissions	Percent of Timely Submissions	Timely Reviews	Percent of Timely Reviews
Department of the Air Force	176	148	84.1	167	94.9
Department of the Army	235	188	80	214	91.1
Department of the Navy	175	148	84.6	154	88
DoD Remainder Agency	137	95	69.3	132	96.4
National Geospatial-Intelligence Agency	23	16	69.6	19	82.6
Uniformed Services University of the Health Sciences	19	14	73.7	19	100
Total	847	658	77.7	785	92.7

Source: The DoD OIG.

Table 5. Annual Reports Submission and Review Timeliness

Organization	Total Reports	Timely Submissions	Percent of Timely Submissions	Timely Reviews	Percent of Timely Reviews
Armed Services Board of Contract Appeals	46	46	100	46	100
Defense Commissary Agency	7	7	100	7	100
Defense Contract Audit Agency	24	23	95.8	23	95.8
Defense Counterintelligence and Security Agency	63	63	100	63	100
Defense Finance Accounting Service	42	42	100	42	100
Defense Information Systems Agency	47	45	95.7	45	95.7
Defense Intelligence Agency	413	410	99.3	412	99.8
Defense Logistics Agency	62	62	100	62	100
Defense Threat Reduction Agency	32	32	100	32	100
Department of the Air Force	1,486	1,466	98.7	1,353	91
Department of the Army	1,947	1,944	99.8	1,802	92.6
Department of the Navy	1,810	1,783	98.5	1,615	89.2
DoD Remainder Agency	1,084	1,048	96.7	1,018	93.9
National Geospatial-Intelligence Agency	361	361	100	321	88.9

Table 5. Annual Reports Submission and Review Timeliness (cont'd)

Organization	Total Reports	Timely Submissions	Percent of Timely Submissions	Timely Reviews	Percent of Timely Reviews
Uniformed Services University of the Health Sciences	240	240	100	234	97.5
Total	7,664	7,572	98.8	7,075	92.3

Source: The DoD OIG.

Table 6. Periodic Transaction Reports Submission and Review Timeliness

Organization	Total Reports	Timely Submissions	Percent of Timely Submissions	Timely Reviews	Percent of Timely Reviews
Armed Services Board of Contract Appeals	65	62	95.4	65	100
Defense Commissary Agency	0	N/A	N/A	N/A	N/A
Defense Contract Audit Agency	4	1	25	4	100
Defense Counterintelligence and Security Agency	47	34	72.3	47	100
Defense Finance Accounting Service	56	51	91.1	56	100
Defense Information Systems Agency	21	21	100	15	71.4
Defense Intelligence Agency	137	119	86.9	137	100
Defense Logistics Agency	33	26	78.8	33	100
Defense Threat Reduction Agency	19	15	78.9	19	100
Department of the Air Force	957	885	92.5	911	95.2
Department of the Army	967	866	89.6	914	94.5
Department of the Navy	1,457	1,272	87.3	1,286	88.3
DoD Remainder Agency	689	578	83.9	636	92.3
National Geospatial-Intelligence Agency	157	131	83.4	143	91.1
Uniformed Services University of the Health Sciences	282	260	92.2	85	30.1
Total	4,891	4,321	88.3	4,351	89

Source: The DoD OIG.

Table 7. Termination Reports Submission and Review Timeliness

Organization	Total Reports	Timely Submissions	Percent of Timely Submissions	Timely Reviews	Percent of Timely Reviews
Armed Services Board of Contract Appeals	3	3	100	3	100
Defense Commissary Agency	3	2	66.7	3	100
Defense Contract Audit Agency	6	6	100	6	100
Defense Counterintelligence and Security Agency	2	2	100	2	100
Defense Finance Accounting Service	3	3	100	3	100
Defense Information Systems Agency	6	6	100	5	83.3
Defense Intelligence Agency	31	25	80.6	30	96.8
Defense Logistics Agency	7	7	100	7	100
Defense Threat Reduction Agency	3	3	100	3	100
Department of the Air Force	137	124	90.5	128	93.4
Department of the Army	152	138	90.8	145	95.4
Department of the Navy	161	152	94.4	150	93.2
DoD Remainder Agency	93	84	90.3	91	97.8
National Geospatial-Intelligence Agency	26	26	100	26	100
Uniformed Services University of the Health Sciences	9	9	100	9	100
Total	642	590	91.9	611	95.2

Source: The DoD OIG.

Table 8. Combination Annual/Termination Reports Submission and Review Timeliness

Organization	Total Reports	Timely Submissions	Percent of Timely Submissions	Timely Reviews	Percent of Timely Reviews
Armed Services Board of Contract Appeals	1	1	100	1	100
Defense Commissary Agency	0	N/A	N/A	N/A	N/A
Defense Contract Audit Agency	0	N/A	N/A	N/A	N/A
Defense Counterintelligence and Security Agency	2	2	100	2	100
Defense Finance Accounting Service	0	N/A	N/A	N/A	N/A
Defense Information Systems Agency	0	N/A	N/A	N/A	N/A
Defense Intelligence Agency	1	1	100	1	100
Defense Logistics Agency	3	3	100	3	100
Defense Threat Reduction Agency	0	N/A	N/A	N/A	N/A
Department of the Air Force	52	51	98.1	47	90.4
Department of the Army	36	33	91.7	35	97.2
Department of the Navy	24	24	100	20	83.3
DoD Remainder Agency	12	12	100	12	100
National Geospatial-Intelligence Agency	12	11	91.7	10	83.3
Uniformed Services University of the Health Sciences	5	5	100	5	100
Total	148	143	96.6	136	91.9

Source: The DoD OIG.



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Congressional Liaison

703.604.8324

Media Contact

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www.dodig.mil
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